

## Message Text

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ORIGIN NEA-11

INFO OCT-01 EUR-12 ISO-00 L-03 SOE-02 AID-05 CEA-01  
CIAE-00 COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10  
INT-05 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07  
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /139 R

DRAFTED BY NEA/ARP:D M WINN:LB  
APPROVED BY NEA/ARP:J W TWINAM  
NEA/IRN:M JOHNSON (INFO)  
L/NEA:D H SMALL (INFO)

-----024872 190221Z /65

P R 182227Z MAY 78  
FM SECSTATE WASHDC  
TO AMEMBASSY ABU DHABI PRIORITY  
AMEMBASSY TEHRAN PRIORITY  
INFO AMEMBASSY DOHA  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
AMEMBASSY LONDON  
AMEMBASSY MANAMA  
AMEMBASSY MUSCAT

C O N F I D E N T I A L STATE 127281

E.O. 11652: GDS

TAGS: ENRG, EINV, TC, IR

SUBJECT: TAX AND ROYALTY PROBLEM FOR CRESCENT PETROLEUM

REFERENCE: STATE 122746 AND PREVIOUS

1. BUTTES REP ELY AND OTHERS MAY 18 PASSED TO ARP COPY OF LETTER WHICH WILL BE DELIVERED BY SPECIAL COURIER TO SHEIKH SULTAN AROUND MID-DAY ON SATURDAY, MAY 20. TEXT FOLLOWS.

QUOTE:

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H.H. SHEIKH SULTAN BIN MOHAMED AL-QASIMI, RULER OF SHARJAH AND DEPENDENCIES, SHARJAH, UNITED ARAB EMIRATES

AFTER GREETING,  
THIS WILL ACKNOWLEDGE RECEIPT OF THE LETTER OF YOUR HIGHNESS, DATED MAY 4, 1978, ANSWERING OURS OF MARCH 22, 1978,

WHICH IN TURN ANSWERED THAT OF YOUR HIGHNESS DATED FEBRUARY 25, 1978.

WE NOTE YOUR HIGHNESS' REFERENCE TO STATE SOVEREIGNTY AND, OF COURSE, FULLY RESPECT SHARJAH'S SOVEREIGNTY. WE ARE ADVISED BY COUNSEL HOWEVER, THAT UNDER INTERNATIONAL LAW A STATE, BY VIRTUE OF THE VERY SOVEREIGNTY WHICH IT EXERCISES WITHIN ITS TERRITORY, POSSESSES THE LEGAL POWERS

TO GRANT RIGHTS AND TO MAKE COMMITMENTS, FROM WHICH IT MAY FORBID ITSELF TO UNILATERALLY WITHDRAW, INCLUDING STABILIZATION OF TAXES AND THE ARBITRATION OF DISPUTES, AND THAT SHARJAH EXERCISED THESE SOVEREIGN RIGHTS IN ENTERING INTO OUR CONTRACT.

WE REGRET TO NOTE YOUR HIGHNESS DOES NOT APPEAR TO BE PLANNING TO APPOINT AN ARBITRATOR. IN SUCH CASE, WE WOULD, WITH GREAT RELUCTANCE, BE UNDER THE NECESSITY OF PURSUING THE ONLY COURSE OPEN TO US, IN ACCORDANCE WITH ARTICLE 34(B) OF THE CONTRACT. THIS PROVIDES:

"EACH PARTY WILL NOMINATE ITS OWN ARBITRATOR WITHIN SIXTY (60) DAYS AFTER THE DELIVERY OF A REQUEST SO TO DO BY THE OTHER PARTY FAILING WHICH ITS ARBITRATOR MAY AT THE REQUEST OF THE OTHER PARTY BE DESIGNATED BY THE PRESIDENT OF THE INTERNATIONAL COURT OF JUSTICE. IN THE EVENT OF THE

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ARBITRATORS FAILING TO AGREE UPON A REFEREE, THE PRESIDENT OF THE INTERNATIONAL COURT OF JUSTICE MAY APPOINT A REFEREE AT THE REQUEST OF THE ARBITRATORS OR EITHER OF THEM."

WE HOPE THAT YOUR HIGHNESS WILL RECONSIDER, AND WILL APPOINT AN ARBITRATOR. IF THIS EVENT DOES NOT HAPPEN, WE WILL, OF NECESSITY, REQUEST THE PRESIDENT OF THE INTERNATIONAL COURT OF JUSTICE TO APPOINT AN ARBITRATOR FOR SHARJAH, AND PROCEED THEREAFTER IN ACCORDANCE WITH ARTICLE 34(B), ABOVE QUOTED.

MAY WE RESPECTFULLY BRING TO YOUR HIGHNESS' ATTENTION THAT WHILE OUR LETTER OF MARCH 22 DOES NOT CLOSE THE DOOR TO FURTHER DISCUSSIONS TO REACH SETTLEMENT ON A MUTUALLY ACCEPTABLE BASIS, AT ANY TIME BEFORE FINAL DECISION OF THE ARBITRATORS OR FINAL DECISION OF THE REFEREE, AS THE CASE MAY BE, UNFORTUNATELY YOUR HIGHNESS' LETTERS OF FEBRUARY 25 AND MAY 4 GIVE US NO ALTERNATIVE TO SEEKING THE IMPARTIAL, AMICABLE RESOLUTION OF OUR DISPUTE THROUGH ARBITRATION.

PLEASE ACCEPT OUR HIGHEST RESPECT AND REGARDS,

BUTTES GAS AND OIL CO. INTERNATIONAL  
BY E W WELLBAUM

ADVANCE PETROLEUM LIMITED  
BY RICHARD A. WASTINUPT

CITCO-MID EAST, INC.  
BY MAX A. BOLICH

KETT-MC GEE EASTERN COMPANY  
BY BURRELL G. TAYLOR

SKELLY INTERNATIONAL OIL COMPANY  
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BY H A WENDT

JUNIPER PETROLEUM CORPORATION  
BY RICHARD J. HEIDER  
END QUOTE.

2. ARP BRIEFED BUTTES REPS ON SUBSTANCE OF LATEST INSTRUCTIONS TO TEHRAN (REFTEL). THEY EXPRESSED GREAT INTEREST IN BEING INFORMED AS TO RESULTS OF EMBASSY APPROACH TO IRANIANS. ARP PROMISED TO BE IN TOUCH.

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, TAXES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** D M WINN:LB  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
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**Message ID:** 1c81169b-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN NEA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2646437  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TAX AND ROYALTY PROBLEM FOR CRESCENT PETROLEUM  
**TAGS:** ENRG, EINV, TC, IR, CRESCENT PETROLEUM  
**To:** ABU DHABI TEHRAN  
**Type:** TE  
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**Review Markings:**  
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